

Burlington Free Press staff report

Rep. Peter Welch, D-Vt., called on the Securities and Exchange Commission on Monday to expand its investigation into allegedly fraudulent securities sold by Goldman Sachs & Co. to determine whether the federal government can recoup bank rescue funds.

Meanwhile, with the U.S. Senate slated to begin debate on a financial overhaul bill, Sen. Bernie Sanders, I-Vt., said Monday that reform legislation must fundamentally change the way that Wall Street works.

Of the \$180 billion American International Group received in bailout funds from the federal government, \$12.9 billion was transferred to Goldman to settle the bad credit default swaps, Welch said. A credit default swap is, in effect, insurance on an investment. The U.S. government bailed out AIG because officials believed allowing the insurance giant to fall would further decimate the global economy.

In a letter to SEC Chairwoman Mary Schapiro, Welch joined two Democratic colleagues in asking the SEC to determine whether taxpayer support received by the AIG was transferred to Goldman to cover fraudulent activities.

"The cynicism of Goldman Sachs using taxpayer funds to cover its own fraudulent activities would be breathtaking," Welch said. "The SEC must turn over every stone to determine the extent of the fraud and recoup taxpayer money."

The SEC filed a civil suit against Goldman on Friday, accusing the firm of selling investments that were designed to fail. Seven similar investment products, known as collateralized debt obligations, were guaranteed by credit default swaps from AIG, Welch said.

"While its action was slow in coming, I applaud the SEC for finally beginning to deal with the illegal behavior of major Wall Street firms which, in my view, knowingly sold junk products and as a result helped cause the worst recession since the 1930s," said Sanders in a written statement after the charges were unveiled Friday.

Sanders said reform should include a 15 percent credit card interest cap and lift the secrecy at the Federal Reserve, which has refused to divulge which financial institutions received more than \$2 trillion in loans; 32 Senators have co-sponsored Sanders' Fed transparency bill.

Sanders has also called on developing a mechanism to ensure businesses get the credit they need to expand and create employment and for the dismantling of the four biggest U.S. banks. Bank of America, Citigroup, JPMorgan Chase and Well-Fargo, he said, issue two-thirds of all credit cards, write half the mortgages and control nearly 40 percent of bank deposits in the United States.